

**Cache Employment and
Training Center**

Audited Financial Statements

June 30, 2006 and 2005

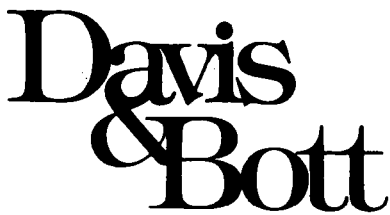
**Davis
& Bott**

Certified Public Accountants, L.C.
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**Cache Employment and Training Center
Annual Financial Report
June 30, 2006 and 2005**

Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Cash Flows.....	6
Statement of Functional Expenses - June 30, 2006	8
Statement of Functional Expenses - June 30, 2005.....	9
Notes to Financial Statements.....	10 - 15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	16 - 17



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Independent Auditors' Report

The Board of Directors
Cache Employment and Training Center
Logan, Utah 84321

We have audited the accompanying statements of financial position of Cache Employment and Training Center, a not-for-profit organization, as of June 30, 2006 and 2005, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

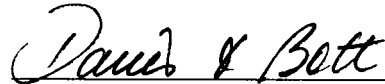
We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cache Employment and Training Center as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2006, on our consideration of Cache Employment and Training Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Independent Auditors' Report
Page Two

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Davis & Bott

Certified Public Accountants, L.C.

Brigham City, Utah
October 18, 2006

Cache Employment and Training Center
Statements of Financial Position
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current assets:		
Cash (note 2)	\$ 239,125	\$ 151,354
Accounts receivable	198,590	218,266
Prepaid assets	33,589	35,420
Inventory (Note 3)	<u>11,251</u>	<u>14,568</u>
Total current assets	482,555	419,608
Property and equipment (Note 4)	1,115,521	1,107,449
Bond origination fees (Note 5)	15,407	16,370
Restricted cash (Note 6)	<u>63,602</u>	<u>70,006</u>
Total assets	<u>\$ 1,677,085</u>	<u>\$ 1,613,433</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 30,026	\$ 23,087
Accrued interest payable	12,825	13,114
Accrued wages payable	31,530	28,114
Accrued vacation payable	27,819	27,299
Accrued payroll tax liabilities	2,923	4,263
Current portion of long-term debt	<u>10,000</u>	<u>10,000</u>
Total current liabilities	115,123	105,877
Long-term debt (Note 5)	<u>425,000</u>	<u>435,000</u>
Total liabilities	<u>540,123</u>	<u>540,877</u>
<u>NET ASSETS</u>		
Unrestricted	1,073,360	1,002,550
Temporarily restricted (Note 7)	<u>63,602</u>	<u>70,006</u>
Total net assets	<u>1,136,962</u>	<u>1,072,556</u>
Total liabilities and net assets	<u>\$ 1,677,085</u>	<u>\$ 1,613,433</u>

The accompanying notes are an integral part of these statements.

Cache Employment and Training Center
Statements of Activities
For the Years Ended June 30, 2006 and 2005

<u>UNRESTRICTED NET ASSETS</u>	<u>2006</u>	<u>2005</u>
Revenues and support:		
Sales	\$ 56,462	\$ 36,168
Subcontract work	228,346	192,170
Gifts and donations	18,516	25,801
Interest	7,305	2,708
Contributions and contracts (Note 8)	1,358,402	1,305,621
Miscellaneous	<u>50,504</u>	<u>38,378</u>
Total support	1,719,535	1,600,846
Net assets released from (transferred to) restrictions	<u>8,528</u>	<u>(3,959)</u>
Total unrestricted revenues and support	<u>1,728,063</u>	<u>1,596,887</u>
Expenses:		
Cost of sales - materials and labor	222,533	178,119
Payroll and benefits	1,027,817	1,014,509
Contracted home care services	42,403	32,580
Consultation	5,858	4,861
Liability insurance	38,585	33,071
Depreciation	52,711	48,823
Repairs and maintenance	38,254	38,516
Supplies	20,766	20,746
Transportation	86,227	91,275
Travel and training	17,389	17,698
Telephone and utilities	34,712	30,462
Legal and accounting	11,076	9,942
Interest	34,926	35,880
Miscellaneous	<u>23,996</u>	<u>10,208</u>
Total expenses	<u>1,657,253</u>	<u>1,566,690</u>
Increase in unrestricted net assets	<u>70,810</u>	<u>30,197</u>

The accompanying notes are an integral part of these statements.

**Cache Employment and Training Center
Statements of Activities (Continued)
For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Investment return	\$ 2,124	\$ 913
Transfers	<u>(8,528)</u>	<u>3,959</u>
Increase (decrease) in temporarily restricted net assets	<u>(6,404)</u>	<u>4,872</u>
Increase in net assets	64,406	35,069
Net assets at beginning of year	<u>1,072,556</u>	<u>1,037,487</u>
Net assets at end of year	<u>\$ 1,136,962</u>	<u>\$ 1,072,556</u>

The accompanying notes are an integral part of these statements.

Cache Employment and Training Center
Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flow from operating activities:		
Excess of revenues and support over expenses	\$ 64,406	\$ 35,069
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation/amortization	53,674	49,786
(Increase) decrease in operating assets:		
Accounts receivable	19,676	(42,446)
Prepaid assets	1,831	(15,564)
Inventory	3,317	6,017
Restricted cash	6,404	(4,872)
Increase (decrease) in operating liabilities:		
Accounts payable	6,939	(1,918)
Accrued interest payable	(289)	(289)
Accrued wages payable	3,416	4,967
Accrued vacation payable	520	1,235
Accrued payroll tax liabilities	<u>(1,340)</u>	<u>6,834</u>
Net cash provided by operating activities	<u>158,554</u>	<u>38,819</u>
Cash flows from investing activities:		
Purchase of building and land	(18,311)	(45,187)
Purchase of equipment	<u>(42,473)</u>	<u>(13,577)</u>
Net cash used in investing activities	<u>(60,784)</u>	<u>(58,764)</u>

The accompanying notes are an integral part of these statements.

**Cache Employment and Training Center
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Cash flows from financing activities:		
Reduction of long-term debt	\$ <u>(10,000)</u>	\$ <u>(10,000)</u>
Net cash provided used in financing activities	<u>(10,000)</u>	<u>(10,000)</u>
Net increase (decrease) in cash and cash equivalents	87,770	(29,945)
Cash and cash equivalents at beginning of year	<u>151,354</u>	<u>181,299</u>
Cash and cash equivalents at end of year	<u>\$ 239,124</u>	<u>\$ 151,354</u>
Supplemental data:		
Cash paid for:		
Interest	<u>\$ 33,674</u>	<u>\$ 35,206</u>

The accompanying notes are an integral part of these statements.

**Cache Employment and Training Center
Statement of Functional Expenses
For the Year Ended June 30, 2006**

<u>Expenses</u>	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Cost of sales - materials and labor	\$ 222,533	\$ -	\$ -	\$ 222,533
Payroll and benefits	974,756	53,061	-	1,027,817
Contracted home care services	42,403	-	-	42,403
Consultation	5,858	-	-	5,858
Liability insurance	35,753	2,832	-	38,585
Depreciation	52,184	527	-	52,711
Repairs and maintenance	37,871	383	-	38,254
Supplies	20,558	208	-	20,766
Transportation	86,227	-	-	86,227
Travel and training	14,781	2,608	-	17,389
Telephone and utilities	34,365	347	-	34,712
Legal and accounting	10,991	85	-	11,076
Interest	34,577	349	-	34,926
Miscellaneous	<u>19,197</u>	<u>4,799</u>	<u>-</u>	<u>23,996</u>
 Total	 <u>\$1,592,054</u>	 <u>\$65,199</u>	 <u>\$ -</u>	 <u>\$1,657,253</u>

The accompanying notes are an integral part of these statements.

**Cache Employment and Training Center
Statement of Functional Expenses
For The Year Ended June 30, 2005**

<u>Expenses</u>	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Cost of sales - materials and labor	\$ 178,119	\$ -	\$ -	\$ 178,119
Payroll and benefits	963,446	50,460	603	1,014,509
Contracted home care services	32,580	-	-	32,580
Consultation	4,861	-	-	4,861
Liability insurance	30,120	2,951	-	33,071
Depreciation	48,335	488	-	48,823
Repairs and maintenance	38,131	385	-	38,516
Supplies	20,539	207	-	20,746
Transportation	91,275	-	-	91,275
Travel and training	15,043	2,655	-	17,698
Telephone and utilities	30,157	305	-	30,462
Legal and accounting	9,942	-	-	9,942
Interest	35,521	359	-	35,880
Miscellaneous	<u>8,166</u>	<u>2,042</u>	<u>-</u>	<u>10,208</u>
Total	<u>\$1,506,235</u>	<u>\$59,852</u>	<u>\$ 603</u>	<u>\$1,566,690</u>

The accompanying notes are an integral part of these statements.

Cache Employment and Training Center
Notes to Financial Statements
June 30, 2006 and 2005

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Cache Employment and Training Center is a not-for-profit organization that offers training to disabled individuals.

Training programs offered by Cache Employment and Training Center are supported primarily by the Division of Services for People with Disabilities of the State of Utah. Additional monies are supplied by various entities as illustrated in Note 8. In their training, the disabled (clients) learn skills in production and subcontract work that also generate revenue for Cache Employment and Training Center.

The accounting policies of Cache Employment and Training Center conform to generally accepted accounting principles as applicable to not-for-profit institutions. The following is a summary of the more significant policies:

Promises to Give

Contributions are recognized when the donor makes a contribution to the Organization that is, in substance, unconditional. Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services

During the years ended June 30, 2006 and 2005, the value of contributed services meeting the requirements for recognition in the financial statements was not material and had not been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cache Employment and Training Center
Notes to Financial Statements (Continued)
June 30, 2006 and 2005

NOTE 1. NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are capitalized at cost and depreciated on a straight-line basis over their useful life. Maintenance and repairs are charged to expenses as incurred; major renewals are capitalized. When equipment is sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenues and expenses.

Accrued Vacation Payable

Accumulated vacation pay is accrued in the year it is incurred.

Inventory

Inventory is made up of three items - wood, commemorative pins and eyeglass retainers. Wood inventory is valued at lower of cost or market using the average cost method. Eyeglass inventory is valued at fair market value as explained in Note 3, and the pin inventory is valued at the lower of cost or market.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

For purposes of the statement of cash flows, Cache Employment and Training Center considers cash in checking accounts and short-term highly liquid investments, including the Utah State Treasurer's Pool to be cash and cash equivalents.

Cache Employment and Training Center
Notes to Financial Statements (Continued)
June 30, 2006 and 2005

NOTE 2. CASH

Cache Employment and Training Center maintains one interest-bearing money market account and two interest-bearing checking accounts, one for general expenses and staff payroll and one for the clients' training stipend. Cache Employment and Training Center also maintains a petty cash fund and a small checking account for the lunch program and for the EFTPS payroll tax account. They have invested excess cash with the Utah State Treasurer's Pool. The following shows their cash balances as of June 30:

	<u>2006</u>	<u>2005</u>
Petty cash	\$ 300	\$ 300
General checking account	37,213	33,614
Stipend checking account	1,707	1,378
Lunch program checking account	7,685	9,497
Payroll tax account	1,345	138
Money market account	47,054	76,433
Utah State Treasurer's Pool	<u>143,821</u>	<u>29,994</u>
 Total cash	 <u>\$ 239,125</u>	 <u>\$ 151,354</u>

NOTE 3. INVENTORY

Cache Employment and Training Center takes a physical count of their inventory at year end. The inventory costing is based on the lower of cost or market. During a prior fiscal year, Cache Employment and Training Center took title to eyeglass retainer inventory of Nogg Funwear in satisfaction of an account receivable. This inventory has been valued at fair market value since it was in satisfaction of the receivable and approximates actual cost. As of June 30, 2006, it was determined that fair market value of eyeglass retainers was \$0. Inventory was adjusted to reflect the \$0 balance. The following shows the breakdown of inventory items at June 30:

	<u>2006</u>	<u>2005</u>
Commemorative pens	\$ 5,015	\$ 5,317
Eyeglass retainers	-	5,240
Wood materials	6,236	3,771
Foam material	<u>-</u>	<u>240</u>
 Total inventory	 <u>\$ 11,251</u>	 <u>\$ 14,568</u>

**Cache Employment and Training Center
Notes to Financial Statements (Continued)
June 30, 2006 and 2005**

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2006</u>	<u>2005</u>
Land	\$ 183,348	\$ 183,348
Building and improvements	1,144,683	1,126,373
Office equipment	47,878	46,872
Production equipment and tools	33,164	33,164
Vehicles	<u>199,890</u>	<u>158,423</u>
Total	1,608,963	1,548,180
Accumulated depreciation	<u>(493,442)</u>	<u>(440,731)</u>
Net property and equipment	<u>\$ 1,115,521</u>	<u>\$ 1,107,449</u>

NOTE 5. NOTES PAYABLE

On May 22, 1997, Cache Employment and Training Center entered into a debt arrangement for \$460,000 plus an additional \$46,765 of noncorrelated bond debt, creating a total bond liability of \$506,765. The bond has a required reserve account of \$45,000. This reserve fund is a restricted asset that will only be paid out when the entire debt has been satisfied.

The debt is financed by private investors and is being administered by Zions Bank. Approximately \$371,000 was used to pay off the original mortgage SBA loan. The remaining debt is for closing costs and other approved capital projects.

The bond is payable to Zions Bank in monthly installments through 2022. The interest rate is fixed at 7.7 percent, with monthly installments of \$2,963. These payments are also invested into a money market account by Zions Bank, "the bond administrator." Payments are due to the investors on a semi-annual basis. The first payment is due February 15 and is an interest-only payment. The second payment is due August 15 and includes principal and interest. Zions Bank will pull funds out of the money market account as the payments come due. The note is collateralized by land and building, along with any other assets necessary to satisfy the debt should Cache Employment and Training Center default.

**Cache Employment and Training Center
Notes to Financial Statements (Continued)
June 30, 2006 and 2005**

NOTE 5. NOTES PAYABLE (Continued)

Maturities of the bond are as follows:

Year ending June 30:

2007	\$ 10,000
2008	15,000
2009	15,000
2010	15,000
2011	15,000
Thereafter	<u>365,000</u>
	<u>\$ 435,000</u>

Cache Employment and Training Center was required to pay bond origination fees in the amount of \$24,074 at the inception of the loan. These fees are being amortized over the life of the loan. Accumulated amortization for the fiscal years ended June 30, 2006 and 2005, was \$8,667 and \$7,704, respectively.

NOTE 6. RESTRICTED CASH

Cache Employment and Training Center maintains two money market restricted cash accounts with Zions Bank. The cash balances as of June 30 are as follows:

	<u>2006</u>	<u>2005</u>
Restricted cash - bond reserve fund	\$ 45,000	\$ 45,000
Restricted cash - bond reserve fund	<u>18,602</u>	<u>25,006</u>
Total restricted cash	<u>\$ 63,602</u>	<u>\$ 70,006</u>

Note 7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for:

	<u>2006</u>	<u>2005</u>
Payment of long-term debt	<u>\$ 63,602</u>	<u>\$ 70,006</u>

**Cache Employment and Training Center
Notes to Financial Statements (Continued)
June 30, 2006 and 2005**

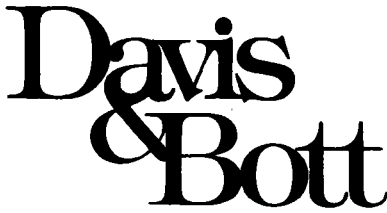
NOTE 8. CONTRIBUTIONS AND CONTRACTS

A substantial amount of Cache Employment and Training Center's revenues came from governmental and private contributors at June 30 as shown in the following schedule:

	<u>2006</u>	<u>2005</u>
Division of Service to People with Disabilities	\$ 1,189,230	\$ 1,130,787
School districts	1,580	4,746
Division of Vocational Rehabilitation - Utah	11,005	9,505
Division of Vocational Rehabilitation/ Adult Day - Idaho	149,233	152,734
Health and Welfare	-	-
United Way	<u>7,354</u>	<u>7,849</u>
 Total financial aid	 <u>\$ 1,358,402</u>	 <u>\$ 1,305,621</u>

NOTE 9. EMPLOYEE BENEFIT PLAN

Cache Employment and Training Center adopted a Section 403(b) retirement plan in March, 1994. All employees are eligible to participate on a voluntary basis. Contributions are subtracted from the gross wages of participating employees. Annual contributions may be made up to 20 percent of includable compensation.



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**Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with
Government Auditing Standards**

The Board of Directors
Cache Employment and Training Center

We have audited the financial statements of Cache Employment and Training Center (a non-profit organization) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 18, 2006.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cache Employment and Training Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

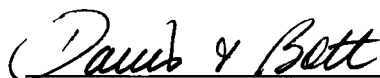
However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Cache Employment and Training Center, in a separate letter dated October 18, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cache Employment and Training Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However we noted certain immaterial instances of noncompliance or other matters that we have reported to the management of Cache Employment and Training Center separate letter dated October 18, 2006.

This report is intended solely for the information and use of management and others within the organization and the various state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Davis & Bott

Certified Public Accountants, L.C.

Brigham City, Utah
October 18, 2006